

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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**FISCAL IMPACT STATEMENT**

**LS 7290**

**BILL NUMBER:** HB 1571

**NOTE PREPARED:** Jan 11, 2009

**BILL AMENDED:**

**SUBJECT:** Student Loan Terms and Conditions.

**FIRST AUTHOR:** Rep. Riecken

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X **GENERAL**  
**DEDICATED**  
**FEDERAL**

**IMPACT:** State

**Summary of Legislation:** This bill provides that the following apply to a student loan, including a refinancing or consolidation of an existing student loan, that is made to an Indiana student after June 30, 2009:

1. The loan documents for the loan may not provide for, and the lender not charge the borrower, a prepayment fee or penalty.
2. The loan may not be secured by an interest in land upon which there is a dwelling that is or will be used by one or more of the borrowers primarily for personal, family, or household purposes.
3. In the case of an adjustable rate loan, the first interest rate adjustment may not occur or be scheduled to occur on a date that is earlier than seven years after the loan is issued or closed.

The bill provides that a person that knowingly or intentionally violates one of these provisions commits a deceptive act that is actionable by the Attorney General. It provides that the State Student Assistance Commission (Commission), in consultation with the Department of Financial Institutions, may adopt rules to provide guidance to: (1) student loan lenders; and (2) Indiana students and their parents or legal guardians; concerning the rights created and duties imposed by these provisions.

The bill provides that the Attorney General: (1) shall act as legal counsel to the Commission in the administration and enforcement of these provisions; and (2) may, upon the Attorney General's own motion or upon receiving a complaint or request from certain specified persons, conduct an investigation to determine if a violation of these provisions has occurred.

**Effective Date:** July 1, 2009.

**Explanation of State Expenditures:** The bill could increase the expenses of the State Student Assistance Commission in the adoption of rules to provide guidance on student loans. The impact would probably be minor.

The bill could also increase the expenses of the Attorney General in acting as counsel for the Commission and acting on complaints. The impact would depend the number of additional cases the Attorney General might have to process. The impact is unknown.

The funds and resources required above could be supplied through a variety of sources, including the following: (1) existing staff and resources not currently being used to capacity; (2) existing staff and resources currently being used in another program; (3) authorized, but vacant, staff positions, including those positions that would need to be reclassified; (4) funds that, otherwise, would be reverted; or (5) new appropriations. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions. As of January 5, 2009 the Attorney General has 23 vacant position valued at \$23,996. Of the 26 position, 6 had been vacant for more than 2 years. The AG's Office reverted \$173,490 to the state General Fund on June 30, 2008.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** State Student Assistance Commission, Attorney General.

**Local Agencies Affected:**

**Information Sources:**

**Fiscal Analyst:** Chuck Mayfield, 317-232-4825.